

Message Text

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PAGE 01 NAIROB 08662 210931Z

12

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SUBJECT: IMPACT OF WORLD OIL CRISIS IN KENYA

REF: NAIROBI 8121

SUMMARY: KENYA NOT YET FEELING EFFECTS OF WORLD OIL CRISIS IN MAJOR WAY. IMPACT WILL GROW AS WEEKS GO ON. AVIATION FUEL ALREADY SHORT, AS ARE INDUSTRIAL SOLVENTS, AND SHORTAGE OF MOTOR FUELS SEEMS LIKELY TO DEVELOP BY EARLY 1974 WITH CONSEQUENT EARLIER EFFECT ON TRANSPORT THAN ON INDUSTRY GENERALLY. IMPACT ON OVERSEAS TOURISM COULD BECOME SUBSTANTIAL. GOK CERTAINLY KEEPING ABREAST OF SITUATION AND HOPING FOR CONCRETE, SPECIAL SUPPLY ARRANGEMENTS FROM MIDEAST PRODUCING COUNTRIES, BUT NO RESULTS ARE SHOWING. END SUMMARY

1. KENYA GOVT. HAS NOT YET FACED UP TO ITS ONCOMING ENERGY PROBLEMS. ADMITTEDLY THERE HAS SO FAR BEEN LITTLE EFFECT ON INDUSTRIAL OR OTHER CONSUMERS AND THEIR ENERGY-USING HABITS, ALTHOUGH AVIATION FUEL AVAILABILITIES HAVE BEEN SOMEWHAT REDUCED AND SUPPLY OF SOLVENTS AND LUBRICANT BASES HAS BEEN GROWING TIGHTER. LAST MONTH'S RETAIL PRICE INCREASES IN MOTOR GASOLINE
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PAGE 02 NAIROB 08662 210931Z

AND CERTAIN OTHER PRODUCTS HAS BEEN TAKEN IN STRIDE, BUT INFORMED

PUBLIC IS RIGHTLY APPREHENSIVE OF FURTHER PRICE RISES.

2. THERE ARE SIGNS THAT GASOLINE SHORTAGE WILL NOT BE LONG IN APPEARING. COMBINATION OF LOWER CRUDE OIL AVAILABILITIES AT MOMBASA AND COINCIDENTAL UNEXPECTED TECHNICAL QTE SHIFTS UNQTE THIS MONTH AT MOMBASA REFINERY HAS, WE UNDERSTAND, GREATLY REDUCED SUPPLY OF PREMIUM-GRADE GASOLINE. (ONE U.S. DISTRIBUTOR, MOBIL, MAY SOON ANNOUNCE CLOSURE ALL ITS FILLING STATIONS ON SUNDAYS AND EACH WEEKNIGHT AFTER 6 P.M.) ON OTHER HAND SUPPLIES OF REGULAR-GRADE GASOLINE STILL FAIRLY CLOSE TO NORMAL.

3. INDUSTRY REPS HAVE CONTINUED THEIR FREQUENT MEETINGS WITH GOK, ESPECIALLY MINISTRIES OF FINANCE/PLANNING AND COMMERCE/INDUSTRY, TO KEEP GOVERNMENT ABREAST OF SITUATION AND ENCOURAGE EARLY CONSIDERATION OF CONSERVATION MEASURES. HOWEVER, THERE IS NO EVIDENCE THAT GOK HAS SERIOUSLY FOCUSED ON SUBJECT AT CABINET OR PRESIDENTIAL LEVEL. SITUATION OF ONE MAJOR DISTRIBUTOR (ESSO) WHICH MAY BE SOMEWHAT BETTER THAN ITS COMPETITORS IS THAT INCOMING CRUDE OIL SHIPMENTS AT MOMBASA ARE EXPECTED TO BE ONLY 20 PERCENT BELOW FORECAST NEED LEVELS DURING THIS QUARTER AND NEXT. ESSO EXPECTS FURTHER INCREASES IN CRUDE PRICES LEADING TO ADDITIONAL RETAIL INCREASES IN KENYA MARKET, MORE SEVERE THAN THOSE OF NOVEMBER.

4. SEVERE SHORTAGE OF OIL-BASED SOLVENTS FOR PAINT AND PYRETHRUM INDUSTRIES IS DEVELOPING. ESSO ANNOUNCED DEC. 20 ITS INABILITY, BECAUSE OF OIL PRODUCING COUNTRY PRICE INCREASES AND LACK OF GOK APPROVAL OF PRICE HIKES, TO SELL MOST SUCH SOLVENTS UNTIL FURTHER NOTICE. (LOCAL INDUSTRIES OF THIS TYPE PROBABLY HAVE STOCKS ON HAND FOR ABOUT 3 WEEKS.) HOWEVER, WE DO NOT EXPECT APPRECIABLE EARLY IMPACT OF FUEL CRISIS ON KENYAN INDUSTRY GENERALLY. NATION'S INDUSTRIAL SECTOR RELIES CONSIDERABLY ON HYDROELECTRIC POWER FROM UGANDA AND COULD PROBABLY INCREASE OFFTAKE FROM THERE IF NEEDED. ON PETROLEUM SIDE, STOCKS OF HEAVIER INDUSTRIAL FUELS ARE IN GOOD SHAPE. SHORTAGE MORE LIKELY APPEAR FIRST IN MOTOR FUELS. (OF OVERALL KENYAN OIL USAGE APART FROM AVIATION FUEL AND BUNKERS, WE UNDERSTAND ABOUT 50 PERCENT IS FOR ROAD TRANSPORT, 15 PERCENT BY RAILROAD, 20 PERCENT IS INDUSTRIAL PLANT USAGE AND 15 PERCENT IS DOMESTIC USAGE SUCH AS LPG, KEROSENE, ETC.)
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PAGE 03 NAIROB 08662 210931Z

5. TOURISM MAY BE SEVERELY HIT AS EUROPEAN AND U.S. FUEL SHORTAGE TAKES TOLL OF SCHEDULED AND CHARTER AIRLINE FLIGHTS JUST AS NORMAL PEAK SEASON BEGINNING. PRESS SAYS SOME COAST HOTELS ARE FACING 40 PERCENT CUT IN OVERSEAS BOOKING AS AIR SERVICES DRY UP. AS GOK PROCEEDS DEAL WITH OIL QUESTIONS, IT DOUBTLESS WILL TAKE PARTICULAR CARE TO AVOID RESTRICTING TOURIST INDUSTRY ANY MORE THAN ABSOLUTELY NECESSARY.

6. LOCAL EDITORS IN PAST FEW WEEKS HAVE ACTIVELY FOCUSSED READING PUBLIC'S ATTENTION ON LIKELIHOOD WORLDWIDE OIL CRISIS WOULD SOONER OR LATER BEGIN TO HAVE SERIOUS ADVERSE EFFECTS ON KENYA CONSUMERS AND ECONOMY. THEMES HAVE BEEN THAT IT WOULD BE FOLLY TO PRESUME EAST AFRICA COULD GET BY WITHOUT SEVERE EFFECTS OF CRISIS THOUGH PERHAPS NOT APPROACHING THOSE IN EUROPE, THAT GOK MUST DO ITS HOMEWORK AND CONTINGENCY PLANNING WELL ON THIS SUBJECT ESTABLISHING CLEAR USER PRIORITIES IN THE PROCESS, AND THAT IT IS INCUMBENT ON ARAB OIL PRODUCERS TO FIND CONCRETE WAYS TO SPARE THEIR BLACK AFRICAN FRIENDS FROM SUFFERING AS THEY USE THEIR OIL WEAPON TO INFLUENCE A MIDDLE EAST SETTLEMENT.

7. FONMIN MUNGAU TOLD OAU SESSION AT ADDIS NOV. 21 THAT WHILE ARAB OIL SANCTIONS HAVE BEEN USFUL, QTE ADEQUATE CONCESSIONS AND EXEMPTIONS MUST BE MADE IN FAVOR OF AFRICAN COUNTRIES UNQUOTE. ASSISTANT COMMERCE MINISTER WOOD REPEATED THIS PLEA THIS WEEK TO AFRICAN MINISTERIAL GATHERING IN CAIRO. HOWEVER, WE ARE NOT AWARE PRECISELY HOW GOK HAS ATTEMPTED, IF AT ALL, TO WIN SPECIFIC CONCESSIONS OR MAKE DEALS OF THIS TYPE IN DIPLOMATIC CHANNELS. MIN. COMMERCE/INDUSTRY KIANO SPOKE IN GENERAL TERMS TO CHARGE OF NEED FOR DIRECT CRUDE PURCHASES FROM OIL COUNTRIES BUT WE HAVE NO DETAILS OF SPECIFIC BILATERAL APPROACHES ALONG THESE LINES.LINDSTROM

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